

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 1320 – SB 1333**

March 6, 2015

**SUMMARY OF ORIGINAL BILL:** Classifies co-generation equipment that is purchased or leased by a qualified manufacturing facility that is used for generating, producing, and distributing utility service directly to the qualified manufacturing facility, as industrial machinery for the purpose of sales and use tax exemption and franchise and excise (F&E) tax credits. Defines a qualified manufacturing facility as a manufacturing facility located within a nonattainment area, as designated by the Environmental Protection Agency, in Loudon County, that significantly reduces pollution particulate matter and makes a capital investment exceeding \$30,000,000. Establishes that the provisions of this bill apply only to co-generation equipment used for the local production of power and will expire on January 1, 2016.

**FISCAL IMPACT OF ORIGINAL BILL:**

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (003670):** Extends the expiration date for the provisions of this bill from January 1, 2016, to December 31, 2016.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-6-206(a), industrial machinery is exempt from state and local sales and use taxes.
- Further, pursuant to Tenn. Code Ann. § 67-4-2009(3)(A), a tax credit equal to one percent of the purchase price of industrial machinery is allowed against F&E taxes for qualified taxpayers who make a capital investment of \$100,000,000 or less. Such credit shall not exceed 50 percent of the combined F&E tax liability and any unused credit may be carried forward for up to 15 years.
- Under current law, pursuant to Tenn. Code Ann. § 67-6-102(44)(D)(i), machines used for generating, producing, and distributing utility services, electricity, steam, and treated or untreated water is classified as industrial machinery and, therefore, the Department of Revenue says the equipment affected by this bill is already exempt from sales and use taxes and eligible for F&E tax credits.

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- As a result, based on this interpretation by the Department of Revenue, there is no impact on state and local government revenue.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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